BRITISH COLUMBIA

Teachers' Pension Plan

2008 ANNUAL REPORT

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Teachers' Pension Plan

2008 ANNUAL REPORT

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Message from the board

The Teachers' Pension Board of Trustees is pleased to present this annual report for the fiscal year ending December 31, 2008. We manage your pension plan, administering benefits and investing approximately $14 billion in assets on behalf of our 86,000 plan members. The BC Pension Corporation is our administrative agent, and the British Columbia Investment Management Corporation (bcIMC) is our investment agent.

The financial health of pension plans was a frequent news topic toward the end of 2008 as investment markets took a downturn, and public commentary often linked the viability of pension plans in general to this downturn. We reassured our members that their basic lifetime pension benefit continued to be secure and was unaffected by market volatility, but also reminded them of the funding challenges facing the plan's non-guaranteed cost-of-living adjustments and subsidized group benefits. The board closely monitored how markets and other factors were impacting funding for these non-guaranteed benefits and consulted with the plan partners, the BC Teachers' Federation and the provincial government, to explore options for addressing these challenges.

The board's investment priority continued to be consistent and steady performance over the long term through sound investment principles. As part of our regular asset mix review, we took action to stabilize the plan's long-term investment returns. To do this we changed the plan's asset mix to increase allocations to commercial real estate, private placements and strategic and infrastructure funds, and to decrease allocations to equities.

While we had provided online information about the plan's investments for some time, in 2008 we made it easier to access this information by creating an Investments section on the plan website.

The board's investment priority continued to be consistent and steady performance over the long term through sound investment principles.

Also in 2008 we embraced opportunities to promote the advantages of defined benefit pension plans by participating in the public debate around pension issues. This included making a joint submission with the BC College and Public Service pension boards to the Alberta-BC Joint Expert Panel on Pension Standards. Through input to the panel, we promoted the viability and value of defined benefit pension plans, shared our experience as an administrator of a public sector plan and shared our experience with joint trusteeship as a governance model.

Controlling health care costs for our retirees, and ultimately for the plan, remained an important goal for the board in 2008. We took an opportunity to do this when we formally expressed concern to the federal

Message from the board

government about proposed amendments to the Patented Medicines Regulations. Changes to the regulations would have limited the retiree option to purchase lower-cost prescription drugs, meaning more out-of-pocket costs for retirees and increased health benefits costs to the plan.

We continued to look for opportunities to work with the plan partners in 2008 for the benefit of all plan members. This included more face-to-face meetings with the partners to discuss plan funding in general and to explore options for addressing the funding challenges around group health benefits.

If you would like to contact us or share your comments, please write or e-mail us at the address on the back cover.

Gerry Tiede
Chair

Teachers' Pension Board of Trustees

MISSION STATEMENT

"To fulfill the trust the Partners have placed on us by efficiently meeting or exceeding the pension promise made to plan members."

Teachers' Pension Board of Trustees as at December 31, 2008

Gerry Tiede, chair

of the Teachers' Pension Board of Trustees, was appointed to the board by the BC Teachers' Federation (BCTF) in 2001. He has a Bachelor of Education from Simon Fraser University and a Master of Education from Western Washington University, and has 35 years of experience as an educator in BC and elsewhere in Canada.

Gerry has served on the board of the BC Principals' and Vice-Principals' Association and was president of the Surrey Principals' and Vice-Principals' Association. In 2000 he participated in the Teachers' Pension Plan joint trusteeship negotiations. Gerry is currently a member of the Teachers' Pension Plan Advisory Committee of BCTF. He serves the board as a member of the Benefits and Communications Committee and the Interplan Trustee Education Committee, and as chair of the Interplan Investment Committee.

Joan Axford, vice-chair

of the Teachers' Pension Board of Trustees, was appointed to the board by the provincial government in 2001. She is a certified management accountant and is currently secretary-treasurer with the Saanich School District. Joan has worked in public education for 25 years, previously serving as comptroller with the Sooke School District, and as director of school finance in the Ministry of Education.

In addition to her position on the Teachers' board, Joan sits on the board of the British Columbia Investment Management Corporation and chairs that board's audit committee.

Rod Allen

is superintendent of achievement with the BC Ministry of Education and was appointed to the board by the provincial government in 2008. Rod has been working in education since 1984. He was previously superintendent of schools in the Bulkley Valley School District, and has taught in BC, Saskatchewan and Africa. Rod holds Bachelor of Arts and Master of Education in Leadership and Administration degrees, both from the University of Victoria.

To prepare for his duties on the board, Rod has completed level 1 of the Advanced Trustee Management Standards program through the International Foundation of Employee Benefit Plans. He also brings his years of school and district leadership experience to the board.

Victor Barwin

was appointed to the board by the provincial government in December,2008. He has been a chartered accountant for 31 years and is currently with the Ministry of Health Services. Previously, Victor was director of finance at the BC Superannuation Commission (the predecessor of the BC Pension Corporation) and was with the team that implemented the pension and employee benefits plans at the Technical University of British Columbia.

Board trustees

Victor has been involved with BC public sector pension plans since the early 1980s. He believes the current trustee model is an effective way for individuals with a broad range of experience to serve the interests of plan members.

Joann Cain

is currently acting as the BC coordinator for the Alberta-BC Joint Expert Panel on Pension Standards. Her regular position is director of financial and corporate sector policy in the Ministry of Finance. Joann was appointed to the board by the provincial government in March 2008. She is a member of the board's Benefits and Communications Committee.

Joann received her Certified General Accountant designation in 1989 and two years later, earned a certificate in the Canadian Institute of Chartered Accountants In-Depth Tax Course. Her work with the Joint Expert Panel has involved in-depth research on current pension standards legislation in BC and Alberta, and policy issues related to occupational pension standards in Canada and internationally.

Wayne Jefferson

is vice-chair of the Surrey Board of Education and was appointed to the board by the provincial government in 2001. He has been in the education field for 38 years in various roles at Vancouver Community College, the Vancouver Board of Education and the Surrey Board of Education.

Wayne is a certified management accountant and was honoured with a fellowship from the National Society in 2006 for his work in the field of management accounting. He specializes in information technology and personnel management. Wayne continues to participate in professional development in the area of pension management.

Dale Lauber

recently retired as disability plan administrator and pension advisor for the BC Teachers' Federation (BCTF). Before that, he was a teacher for 25 years. Dale was appointed to the board by the BCTF in 2001. He also sat on the Teachers' Pension Plan Advisory Committee in 2000.

Dale has a Bachelor of Education, a Master of Education, a graduate certificate in educational administration, a pension plan administration certificate, and a certificate of proficiency in employee benefits. In addition to his board position, he has been a member of the International Foundation of Employee Benefit Plans (IFEBP) Public Sector Pension and Benefits Committee, and the Canadian Pension and Benefits Institute (CPBI) Trustee Education Committee.

Carolyn Prellwitz

is assistant director of the Income Security Division, BC Teachers' Federation (BCTF), and was appointed to the board by the BCTF in 2004. She has been a public school teacher for 33 years and is currently on leave from her position as a teacher

counselor in the Cowichan Valley School District. In addition to her teaching credentials (Bachelor of Physical Education, Bachelor of Education, Master of Science), Carolyn has a pension plan administration certificate from Humber College.

Carolyn was local president of the Cowichan District Teachers' Association, and has served on the BCTF Income Security Committee, BCTF Pensions Committee and Teachers' Pension Plan Advisory Committee.

Ken Tannar

teaches physics and senior math in Salmon Arm and was appointed to the board by the BC Teachers' Federation (BCTF) in 2008. Ken has taught in BC a total of 25 years. He received a Bachelor of Science degree from the University of British Columbia in 1982, with majors in physics and mathematics. For the last four years, he has served on the BCTF Pensions Committee and the Teachers' Pension Plan Advisory Committee and is currently chair of both committees.

Ken has attended a number of pension workshops to prepare for his work on the board.

Linda Watson

has been a public school teacher for 34 years and is currently president of the North Vancouver Teachers' Association. She was appointed to the board by the BC Teachers' Federation (BCTF) in 2001. Linda is a past chair of the BCTF Pensions Committee and the Teachers' Pension Plan Advisory Committee.

Linda served on the BCTF Provincial Executive Committee for nine years, including three years as the BCTF second vice-president. During that time she represented the BCTF during negotiations that set up the Joint Trust Agreement for the Teachers' Pension Plan. Linda currently serves on the board's Trustee Education Committee, which provides extensive training opportunities for the plan's trustees.

Board responsibilities

Trustee activities

During 2008 the board met five times over a total of nine days, and trustees also participated in a number of standing and ad hoc committees. Board committees also met regularly to consider issues such as audit services, plan benefits, communications, investments and trustee education. Trustees also attended a number of conferences, including the semi-annual BC Public Sector Pension Conference. In addition to attending scheduled training sessions, individual trustees participated in other educational opportunities to increase their effectiveness on the board.

Trustee attendance

Trustee attendance at more than 30 meetings to conduct board business was consistently very good in 2008. The average attendance of all trustees at eligible meetings was 95 per cent.

Trustee remuneration

Trustees are remunerated by the plan for their time spent on board business. Remuneration guidelines and rates are set out in the Teachers' Pension Board of Trustees Remuneration Policy.

Trustees receive remuneration directly if they are not remunerated from any other organization for their time spent on trustee duties. If trustees are remunerated from another organization for their trustee duties, they may request that the remuneration from the plan be paid to the other organization. Trustee remuneration may be adjusted annually under board policy by an amount equal to the cost-of-living adjustments made to pension payments.

Expenses related to trustee attendance at educational events and meetings to conduct board business are reimbursed within board policy limits.

2008 Trustee Remuneration Annual Totals

Name and Position	Per Diem	Stipend	Payment	Remuneration paid to
Rod Allen, trustee appointed Nov. 24, 2008	$525	$291	$816	Rod Allen (per diem subsequently waived)
Joan Axford, vice-chair	$7,525	$5,244	$12,769	School District #63 (Saanich)
Victor Barwin, trustee appointed Nov. 24, 2008	$700	$291	$991	Ministry of Health
Joann Cain, trustee appointed March 11, 2008	$3,150	$2,913	$2,913 $3,150	Joann Cain – stipend Ministry of Finance – per diem
Lucas Corwin, trustee appointment ended Oct. 9, 2008	$3,150	$2,622	$5,772	Ministry of Health/Ministry of Forests and Range
Wayne Jefferson, trustee	$5,600	$3,496	$9,096	Wayne Jefferson
Dale Lauber, trustee	$5,600	$3,496	$9,096	Dale Lauber
Elizabeth MacKenzie, trustee appointment ended June 30, 2008	$2,275	$1,748	$1,748 $2,275	Elizabeth Mackenzie – stipend Chilliwack Teachers' Association – per diem

Board responsibilities

2008 Trustee Remuneration Annual Totals continued				
Name and Position	**Per Diem**	**Stipend**	**Payment**	**Remuneration paid to**
Carolyn Prellwitz, trustee	$5,775	$3,496	$9,271	BC Teachers' Federation
Ken Tannar, trustee appointed Oct. 23, 2008	$1,400	$583	$583 $1,400	Ken Tannar – stipend BC Teachers' Federation – per diem
Gerry Tiede, chair	$11,900	$6,992	$18,892	Gerry Tiede
Tom Vincent, trustee appointment ended Sept.15, 2008	$1,750	$1,748	$3,498	Ministry of Health
Linda Watson, trustee	$4,550	$3,496	$3,496 $4,550	Linda Watson – stipend North Vancouver Teachers' Association – per diem

2008 Trustee Remuneration Rates	
Trustee annual stipend	$3,496 per year
Trustee per diem	$350 per day
Board chair annual stipend	$6,992 per year
Board vice-chair annual stipend	$5,244 per year
Board chair preparation time for board meetings	$350 per meeting
Committee chair preparation time for committee meetings	$175 per meeting

Shirley Hannaford,
Retired teacher

I was a little uncertain about the transition from teaching to retirement, but I attended a pension seminar with my husband and got an estimate of my pension.

I appreciate how easy it was for me to buy back some of my earlier Public Service Pension Plan service. The amount was added to my years of service, which gave me a larger pension.

Partners, trustees and agents

The Teachers' Pension Plan is jointly trusteed and is governed by a joint trust agreement. Joint trusteeship is the shared management of the plan by representatives of plan members and government. The plan partners are the BC Teachers' Federation (BCTF) and the provincial government. The partners are responsible for appointing the trustees.

The **Teachers' Pension Board of Trustees** is responsible for managing the pension plan. The board may amend the pension plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the plan. If the plan's actuary determines it is necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

The **British Columbia Pension Corporation** provides benefit administration services as the administrative agent of the board. The corporation enrols members, collects contributions, processes benefits and issues pension payments.

The **British Columbia Investment Management Corporation** (bcIMC) provides investment management services as the investment agent of the board. The bcIMC is one of Canada's largest investment managers and administers more than $85 billion in assets on behalf of public sector pension plans, the provincial government, public trusts and insurance funds.

Plan member and plan employer services

The board places much value on services to plan members and plan employers. As a result, the Teachers' Pension Plan offers a range of service options through its administrative agent, the Pension Corporation.

Client representatives are experienced and well-trained and are a large part of what makes the Teachers' Pension Plan valuable for members and employers. When members and employers visit, call or write the plan, representatives are available to deal with a wide range of requests. This includes providing pension plan information or benefit calculations, assisting employers with reporting and assisting members with pension applications.

In many cases the plan sends important information directly to plan members. For example, active members receive a *Member's Benefit Statement* each year. This publication summarizes benefits members have earned, while a companion publication, *Report to Members*, provides plan financial information and recent plan updates. Two times each year the plan sends the *After Class* newsletter to retired members to provide current information about retirement benefits. Also, the plan sends plan updates to employers and maintains a comprehensive online employer instruction manual.

The web plays a significant and expanding role in providing services to plan members and plan employers. For example, My Account allows active members to view their personal information and access personalized pension and purchase cost estimators on the plan's website. Currently, more than 20 per cent of active members have registered for this service. The plan also provides a range of web-based information resources and tools for plan employers, including a secure online remittance service.

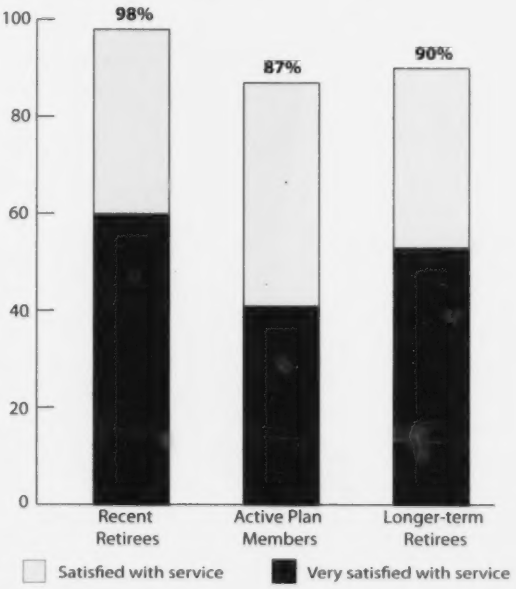
The plan also offers a series of pension seminars to help active and deferred members understand their pension benefits and how they can optimize these benefits, no matter what stage they are in their careers. As an added service, the plan introduced online seminar registration in 2008. This feature is very popular, with about 80 per cent of registrations completed online.

Performance measures and targets

The Teachers' Pension Plan is dedicated to providing quality, cost effective service to plan members. Through its service agreement with the Pension Corporation, the board approves service standards for the plan and monitors performance against those standards. Regular surveys of plan members show that active and retired members give the Pension Corporation a high satisfaction rating for service quality.

Client Satisfaction Survey Results

April 1, 2008 to March 31, 2009



Plan participants

Membership in the Teachers' Pension Plan is open to all certified teachers (including teachers on call), principals and vice-principals, directors of instruction, superintendents, assistant superintendents, associated professionals and certified professionals who are appointed by a board of education in the British Columbia public school system, and to eligible employees of other employers approved by the Teachers' Pension Board of Trustees. New employees, including those employed in a less-than-half-time capacity, must be immediately enrolled in the Teachers' Pension Plan and cannot opt out of enrolling in the plan. Employee contributions continue until the member terminates employment, retires or accrues 35 years of pensionable service.

Participating employers are the school districts, the British Columbia College of Teachers, the British Columbia Principals' and Vice-Principals' Association, the British Columbia School Superintendents' Association, the British Columbia Teachers' Federation, the Francophone Education Authority, the Teacher Qualification Service (British Columbia) and the BC Education Leadership Council.

There are three categories of members in the Teachers' Pension Plan:

Active—those who are currently contributing, or are receiving benefits from an approved salary continuance plan, or are on a leave of absence.

Inactive—those who have terminated their employment and left contributions in the plan. They may or may not be eligible for a pension in the future. Those who are eligible for a pension in the future are known as vested and deferred members. If inactive members not entitled to a pension under the plan again become active members, they may become eligible for a pension by returning to work, recommencing contributions and accruing additional service in the Teachers' Pension Plan.

Retired—those who are receiving a pension, including those who are receiving a disability pension.

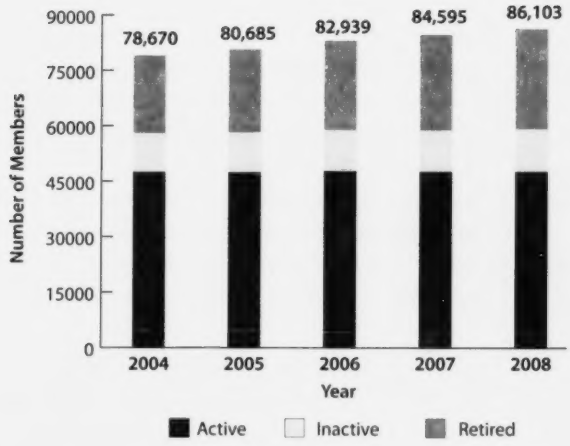
There are 47,544 active members in the plan, an increase from 2007. The number of retired members increased by 5 per cent to 27,221.

Number of Members

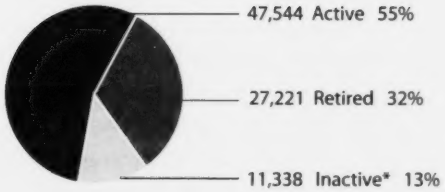
As at December 31	Active	Inactive, Terminated	Inactive, Vested and Deferred	Retired	Total
2008	**47,544**	**7,191**	**4,147**	**27,221**	**86,103**
2007	47,446	7,200	4,090	25,859	84,595
2006	47,615	7,132	3,990	24,202	82,939
2005	47,250	6,983	3,816	22,636	80,685
2004	47,321	6,802	3,492	21,055	78,670

Plan participants

Number of Members
as at December 31

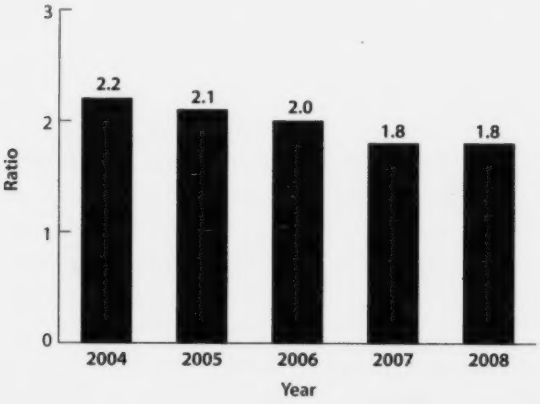


Membership Profile

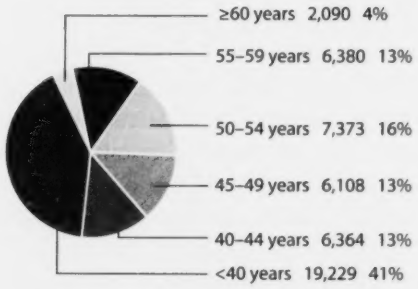


* Members no longer employed, but with money in the plan.

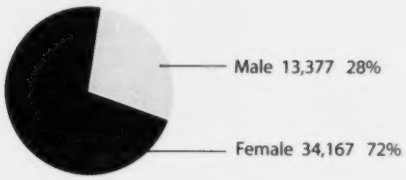
Ratio of Active Members to Retired Members
As at December 31



Age Profile of Active Members



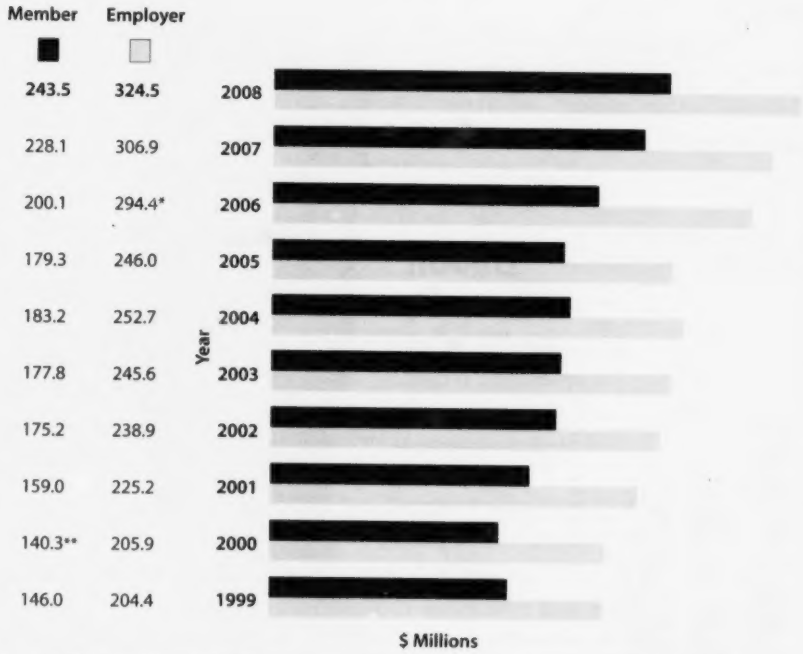
Active Member Profile



Contributions

Plan members contribute through automatic deductions from their salary. Both plan members and employers pay contributions to fund future pension benefits. A member who terminates employment, retires, or reaches 35 years of pensionable service ceases contributions. For an active member's pensionable service over 35 years, the employer continues to contribute until the end of the calendar year in which the member reaches age 71. The contribution rates in the sidebar are applied to pensionable salaries.

Contributions (including purchases of service)
Year ended December 31
$ Millions



* Includes a one time $20 million contribution by the provincial government to the Inflation Adjustment Account.

** Member contributions declined in 2000 as a result of decreased purchases of service.

Current Contribution rates:
(effective July 1, 2007)

Member

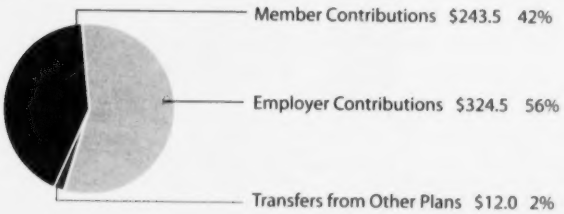
9.16% of pensionable salary up to and including the YMPE,* and
10.66% of pensionable salary in excess of the YMPE.*

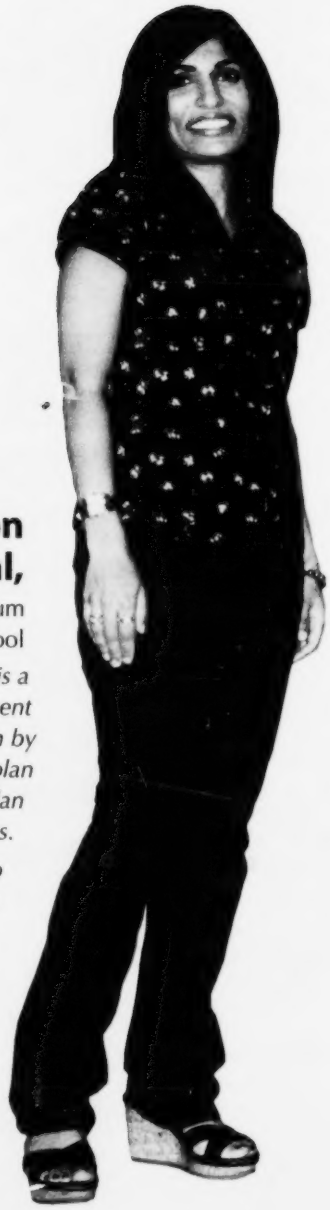
Employer

12.29% of pensionable salary up to and including the YMPE,* and
13.79% of pensionable salary in excess of the YMPE.*

* Year's Maximum Pensionable Earnings (YMPE) is the limit to earnings on which Canada Pension Plan contributions are made. The 2008 YMPE was $44,900, and will increase to $46,300 in 2009.

Contribution Revenue
$ Millions





Devon Grewal,

Teacher, Spectrum Community School

I like that there is a shared management of the plan by representatives of plan members and plan employers.

This joint trusteeship gives members the opportunity to work with the employers equally and it gives members a solid basis from which to govern the plan.

Plan benefits

Plan benefits are defined by the pension plan rules made under the authority of the Joint Trust Agreement.

Basic pension (guaranteed)

The basic pension benefit is defined, meaning the pension is based on how many pensionable years the member has accrued in the plan, the average of the best five years of salary (not necessarily the last five years) and age at retirement. The pension is not based on contributions to the plan, nor is it based on the investment performance of the plan's assets. The advantage of a defined benefit plan is that the pension is predictable. The plan provides entitlement to a pension benefit after two years of contributory service. The plan also provides survivor and disability benefits.

In 2008, the plan provided pensions to 27,221 retired members, an increase of 5 per cent from the previous year.

Indexing (not guaranteed)

Indexing is a non-guaranteed cost-of-living supplement to the basic pension. It is paid only if there is enough money in the Inflation Adjustment Account (IAA), which is funded by member and employer contributions.

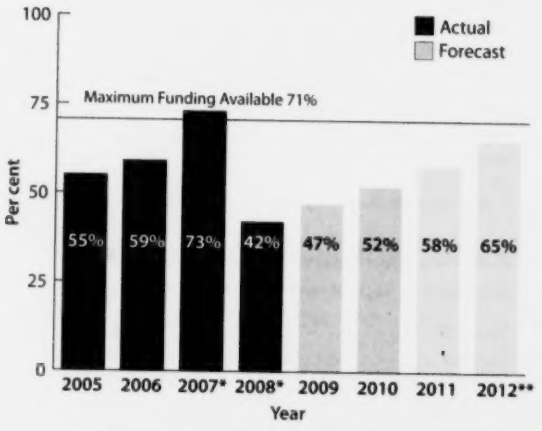
On January 1, 2008, retired members received a full Consumer Price Index (CPI) increase of 2.5 per cent. On January 1, 2009, retired members will receive a full CPI increase of 3.4 per cent. (See Note 7b to the Financial Statements). Indexing, once granted, is guaranteed. The board monitors the plan's ability to continue to provide full indexing.

Post-retirement group health benefits (non-pension, not guaranteed)

Group benefits (extended health and dental) are not guaranteed. They are funded by a limited portion of employer contributions that would otherwise go to the IAA, and through premiums paid by retired members. The board monitors the plan's ability to continue providing non-guaranteed post-retirement group health benefits.

More information about post-retirement group health benefits is available on the plan website at **tpp.pensionsbc.ca**.

Group Benefit Costs as a Percentage of Employer IAA Contributions



* A voluntary dental plan replacing the subsidized benefits in August of 2007 resulted in a spike in 2007 and a decline in 2008.

** The board may need to take action before the funding limit is reached.

Plan benefits

Pensions 1999–2008

	New Pensions During Year	Pension Terminations	In Force at End of Year	$ Millions Basic Pensions Paid	Inflation Supplements Paid	Total Pensions Paid
2008	**1,765**	**403**	**27,221**	**$623.3**	**$124.0**	**$747.3**
2007	2,027	370	25,859	576.9	112.3	689.2
2006	1,871	305	24,202	526.5	112.5	639.0
2005	1,805	224	22,636	479.3	97.5	576.8
2004	1,598	276	21,055	437.5	92.2	529.7
2003	1,490	292	19,733	398.8	85.2	484.0
2002	1,542	312	18,535	361.6	78.3	439.9
2001	1,230	265	17,305	327.6	71.4	399.0
2000	831	291	16,340	305.8	64.2	370.0
1999	1,673	262	15,800	277.4	58.4	335.8

New Pensions, by Type 1999–2008

	Regular*	Death*	Disability	LTD to Pension	Deferred	Total
2008	**1,518**	**20**	**–**	**129**	**98**	**1,765**
2007	1,819	24	–	116	68	2,027
2006	1,661	22	–	108	80	1,871
2005	1,596	18	–	119	72	1,805
2004	1,407	19	1	108	63	1,598
2003	1,301	28	1	107	53	1,490
2002	1,381	24	1	73	63	1,542
2001	1,097	22	–	61	50	1,230
2000	717	13	3	67	31	831
1999	1,494	9	3	83	84	1,673

* New pensions do not include any pension continued to a beneficiary upon the death of a retired member.

New Regular Pensions, by Age at Retirement

Subdivided by years of service and age at retirement

Years of Service	55	56–59	60–64	≥ 65	Total
<10 years	10	25	38	8	81
10–14	19	36	42	8	105
15–19	29	67	75	13	184
20–24	32	91	88	7	218
25–29	30	135	95	6	266
30–34	60	422	93	10	585
35 years	-	38	37	4	79
Total	180	814	468	56	1,518
Average service years	23	27	23	20	25
Average age	–	–	–	–	58

Plan benefits

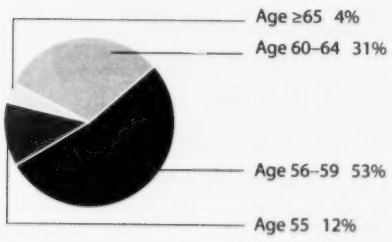
Average Value of New Regular Pensions January 1, 2008 to December 31, 2008

Subdivided by years of service

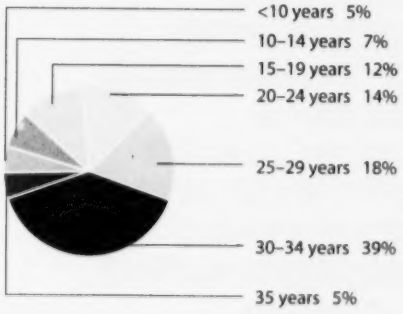
Years of Service*	Number of New Regular Pensions	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 years	81	$ 56,000	$ 4,600	$ 89,000	$ 7.2
10–14	105	62,000	14,200	212,000	22.3
15–19	184	66,000	20,800	307,000	56.5
20–24	218	68,000	27,800	411,000	89.6
25-29	266	71,000	35,800	552,000	146.8
30–34	585	73,000	43,800	704,000	411.8
35 years	79	76,000	49,500	742,000	58.6
Total	1,518	n/a	n/a	n/a	$792.8
Average of All Pensions	n/a	$70,000	$33,500	$534,000	n/a

* Years of service includes service transferred from other plans.

Percentage of New Regular Pensions
by age at retirement



Percentage of New Regular Pensions
by years of service



Plan benefits

Termination and refund benefits

Plan members who terminate their employment before reaching age 55 have a number of options for what they can do with their contributions to the plan.

More information about termination and refund benefits is available on the plan website at **tpp.pensionsbc.ca**.

Transferring service

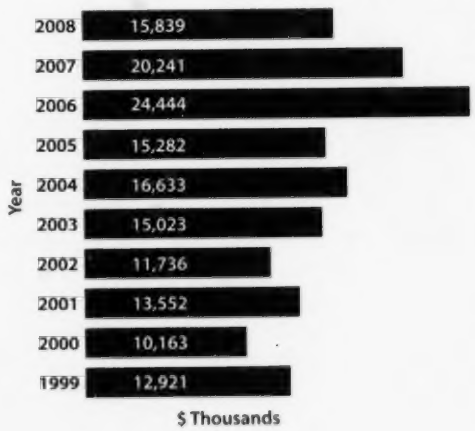
Transfer agreements allow pension plan members to carry pension rights from one plan to another. Members may carry their years of pensionable service and contributions to a new plan at a different place of employment if the new plan has an agreement with the Teachers' Pension Plan.

Members who have made contributions to another pension plan in Canada may want to inquire about transfer agreements.

More information about transferring service, including a list of agreements currently in place, is available on the plan website at **tpp.pensionsbc.ca**.

Number of Termination and Refund Benefits Paid

Value of Termination and Refund Benefits Paid



Plan benefits

Purchase of additional service

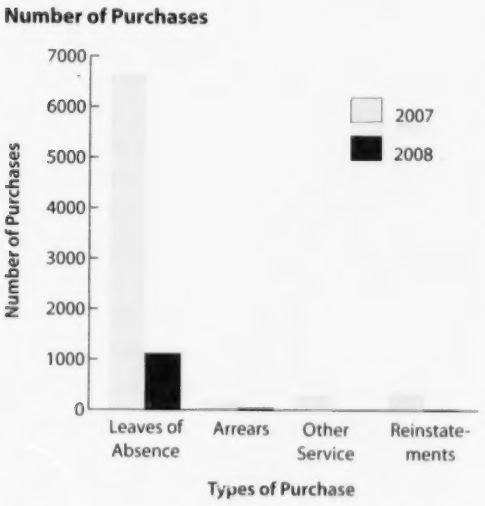
Members of the plan may be able to increase their future pension benefits by purchasing periods of past service. Purchasing service means paying for periods of employment that have not already been counted as service with the plan. This service may include:

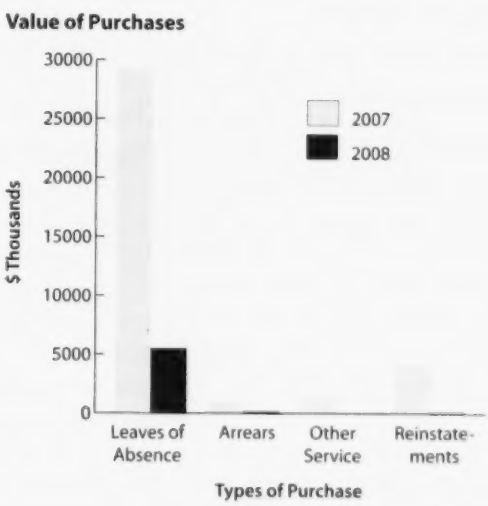
- leaves of absence (maternity, parental, compassionate, general or other leave),
- arrears contributions (not enrolled, but eligible to buy back missed contributions), or
- other service (employment service before becoming a regular contributor).

More information about purchasing service, including costs and deadlines, is available on the plan website at **tpp.pensionsbc.ca**.

Member and Employer Purchases of Additional Service

Year ended December 31





Chantelle Piasentin

Teacher, Spectrum Community School

I feel confident that my investment for the future is in reliable hands and that my pension income is something I can count on. I like knowing that when it comes time to retire my pension will provide me with a valuable, life-long income.

Investments

Market review

One of the major responsibilities of the board is to oversee the investment of approximately $14 billion in assets for the long-term benefit of the plan members. The most important issue for any pension plan is long-term results, and the board's goal is to achieve consistent and steady performance over the longer term based on a disciplined approach and prudent decision making.

The board annually reviews its Statement of Investment Policies and Procedures (SIPP), approves the long-term asset mix policy for the investment of assets and oversees the management of those assets through the board's investment agent, the British Columbia Investment Management Corporation (bcIMC).

Diversification of investments is a key principle in our investment policy. Investments are held in a range of asset types (e.g., bonds, equities, real estate), industry sectors and global markets.

Report on 2008 investment results

In 2008 investors faced deteriorating credit conditions, a broad-based economic slowdown and a sharp decline in worldwide equity prices. The Canadian, U.S. and non-North American stock market indices declined by -33.9 per cent, -37.0 per cent and -40.3 per cent respectively in local currency terms.

However, the Teachers' Pension Plan performed much better than the stock market, mainly due to its diversified investments and its avoidance of some of the costly missteps that negatively impacted other investors. Specifically, the plan's basic and inflation adjustment accounts returned -12.8 per cent and -12.9 per cent respectively for the year.

While these results are disappointing, the plan's 2008 results compared favourably to the results of other Canadian pension funds, ranking in the top 25 per cent of its peer group. In fact, the average pension fund had returns of between -15.9 per cent and -17.1 per cent.

The plan's relative success was attributable to the investment policies set by the plan's trustees and the actions of its investment manager, the British Columbia Investment Management Corporation (bcIMC). With regard to managing the plan's asset mix, bcIMC was underweight equities and overweight fixed income, cash and real estate in 2008 in an effort to preserve the plan's capital during the stock market downturn. Furthermore, bcIMC's risk management processes ensured the plan was not directly exposed to any of the risky investments that were at the root of the market upheaval. The plan did not invest in subprime mortgages, non-bank sponsored asset-backed commercial paper (ABCP) or complex derivatives. In addition, the plan did not use leverage in the public markets. As a result, the plan, unlike many other investors, did not have to sell assets at distressed prices during the market decline.

The plan's relative success was attributable to the investment policies set by the plan's trustees and the actions of its investment manager, the British Columbia Investment Management Corporation

Despite bcIMC's actions, the Teachers' Pension Plan underperformed its performance benchmark by 2.9 per cent in 2008. This is because most asset classes underperformed in

Investments

2008 due to the highly volatile and challenging market environment. Specifically, bonds, mortgages, U.S. equities, international equities and real estate underperformed relative to the plan's benchmarks.

While equity returns were exceptionally weak in 2008, bonds and short-term investments performed well as investors looked to more conservative investments to protect their capital. The plan's combined equities returned -29.6 per cent, compared to its combined fixed income return of 5.2 per cent.

Real estate investments lost some momentum in 2008 but still provided a significant diversification benefit. Canadian real estate closed the year relatively flat, with a -0.2 per cent result.

The challenges faced by all investors in 2008 reinforce how important it is to maintain a well-diversified investment portfolio and follow a disciplined, long-term approach to managing the plan's asset mix.

Basic Account Investment Asset Mix and Performance

as at December 31, 2008

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark* (%)
Fixed Income	**20–40**			
Short-term**	0–10	2.8	4.9	3.3
Mortgages	0–10	5.8	6.6	9.0
Bonds	10–25	21.4	5.6	6.4
Real Return Bonds	0–10	5.1	1.6	0.4
Equity	**60–80**			
Canadian Equities	10–20	12.4	(32.9)	(33.9)
U.S. Equities	10–20	14.0	(24.6)	(22.1)
International Equities	10–20	12.7	(31.6)	(29.2)
Real Estate	10–20	17.6	(0.2)	5.2
Private Placements	0–10	4.3	***	***
Strategic Investments and Infrastructure	0-10	3.9	***	***

* Benchmarks are standards to compare against actual investment returns.

** Short-term includes government bonds with one- to five-year terms and money market funds.

*** Annual rate of return not applicable.

Market outlook for 2009

Given the current volatile economic conditions, it is extremely difficult to forecast market movements. There are numerous potential risks to global economic and financial stability that may influence investment results in the coming year:

- Unwinding of debt is resulting in a recession of greater severity and longer duration than was expected. Monetary and fiscal stimulus, while large, may be less effective under these conditions than in a typical recession.
- Despite the current market focus on the risk of widespread price deflation, there is a longer-term risk of inflation due to massive central bank liquidity injections.
- Economic forecasts have been revised down steadily since September 2008 and further reductions are possible.
- The International Monetary Fund says the global economy will contract for the first time since World War II. Global growth is expected to slow from approximately 3.4 per cent last year to roughly –1.3 per cent in 2009. Emerging markets continue to grow, but at a slower pace.

While 2009 promises to be another challenging year, powerful economic stimulus has been set in motion and coordinated policy responses by global leaders will eventually restore stability in the marketplace. As well, the price of risk now reflects reality and asset prices have retreated to more sensible levels.

With this in mind, we consider today's investment environment to be in many ways superior to that of a year ago. The Teachers' Pension Plan is well positioned to acquire good long-term investments at favourable prices, and we expect to take advantage of opportunities to buy undervalued assets that will enhance the future long-term value of the plan.

Investments

Investment portfolio

Investments consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the fair market value of the underlying assets. In the table below, all portfolios are pooled, except Real Return Bonds and one private placement, which are directly held.

Investments Held as at December 31, 2008

	Market Value ($ Thousands)	Asset Mix Market Value (%)
Short-term		
Money Market	$ 339,115	2.4
Bonds (1–5 years)	57,594	0.4
	396,709	2.8
Bonds		
Universe	3,019,992	21.4
Real Return	718,405	5.1
	3,738,397	26.5
Canadian Equities*		
Indexed	953,432	6.8
Actively Managed	792,597	5.7
	1,746,029	12.5
U.S. Equities		
Indexed	1,335,732	9.5
Actively Managed	604,882	4.3
Currency Hedging	20,393	0.1
	1,961,007	13.9
International Equities		
Asia	389,801	2.8
Europe	511,635	3.6
Europe, Australia and the Far East	861,795	6.1
International Currency Hedging	28,115	0.2
	1,791,346	12.7
Real Estate, Mortgages, Private Placements and Foreign Currency		
Real Estate*	2,473,213	17.6
Mortgages	821,847	5.8
Private Placements*	602,757	4.3
Strategic Investments and Infrastructure*	557,374	3.9
	4,455,191	31.6
Total Investments	$ 14,088,679	100.0%
2007 Comparison	$ 16,480,915	

For further information on the investment portfolio, visit the bcIMC website at: **www.bcIMC.com**

* Asset classifications vary from the financial statements for the purpose of performance reporting of Strategic Investments and Infrastructure.

Investments Held as at December 31, 2008

(Underlying investments are in pooled portfolios.)

Canadian Equities

Company	Market Value ($ Thousands)	% of Total Canadian Equities
Encana Corporation	$94,750	5.4
Royal Bank Of Canada	93,261	5.4
Toronto Dominion Bank	73,577	4.2
Bank Of Nova Scotia	65,372	3.7
Manulife Financial	65,054	3.7
Barrick Gold Cor	62,424	3.6
Suncor Energy Inc	58,899	3.4
Goldcorp Inc	57,178	3.3
Potash Corp Of Saskatchewan	55,443	3.2
Cdn Natural Resources	50,690	2.9
Total Top Ten	**$676,648**	**38.8**
Total Canadian Equities	**$1,746,029**	**100.0**

U.S. Equities

Company	Market Value ($ Thousands)	% of Total U.S. Equities
Exxon Mobil Corp	$70,880	3.6
At&T Inc	40,137	2.1
General Electric	39,577	2.0
Procter & Gamble	38,886	2.0
Wells Fargo & Co	33,689	1.7
Microsoft Corp	33,372	1.7
Johnson & Johnson	32,112	1.6
Jpmorgan Chase	31,957	1.6
Pfizer Inc	30,774	1.6
Wal Mart Stores	26,704	1.4
Total Top Ten	**$378,088**	**19.3**
Total U.S. Equities	**$1,961,007**	**100.0**

International Equities

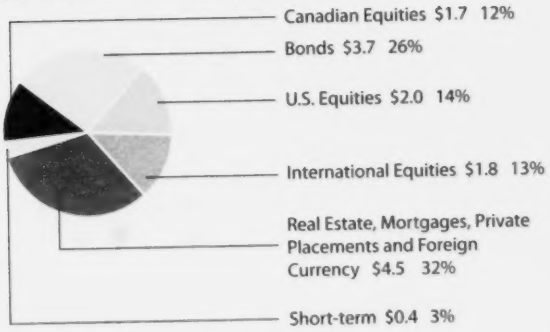
Company	Market Value ($ Thousands)	% of Total International Equities
Royal Dutch Shell	$41,823	2.3
Nestle Sa	33,242	1.9
Telefonica Sa	27,631	1.5
Total	25,747	1.4
Novartis Ag	24,818	1.4
Vodafone Group	21,771	1.2
Roche Hldgs Ag	21,334	1.2
E.On Ag	20,880	1.2
HSBC Holdings	20,704	1.2
BP PLC	20,320	1.1
Total Top Ten	**$258,270**	**14.4**
Total International Equities	**$1,791,346**	**100.0**

Investments

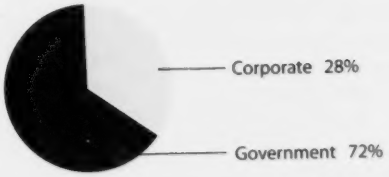
Investments Held as at December 31, 2008

Investment Holdings (Market Value)

$ Billions

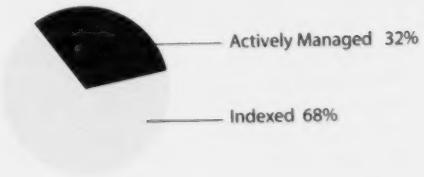

Canadian Equities $1.7 12%
Bonds $3.7 26%
U.S. Equities $2.0 14%
International Equities $1.8 13%
Real Estate, Mortgages, Private Placements and Foreign Currency $4.5 32%
Short-term $0.4 3%

Bonds (Market Value)

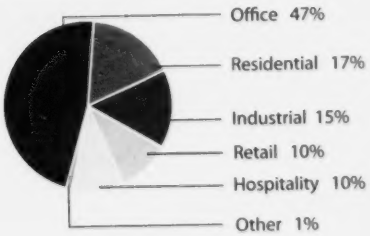


Canadian Equities (Market Value)

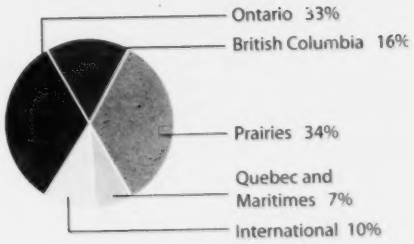
U.S. Equities (Market Value)



Domestic Real Estate, by Type



Real Estate, by Location

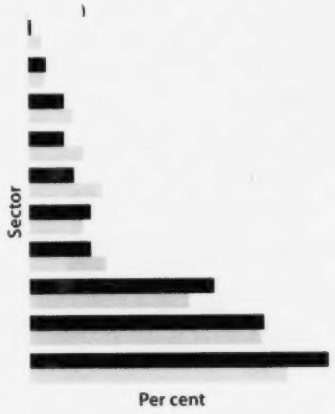


Investments

Investments Held as at December 31, 2008

Canadian Equities, by Sector

	Indexed (%)	Actively Managed (%)
Health Care	0.3	1.2
Utilities	1.8	1.6
Consumer Staples	3.6	4.5
Information Technology	3.6	5.6
Consumer Discretionary	4.6	7.4
Telecommunication Services	6.3	5.5
Industrials	6.3	7.8
Materials	18.9	16.3
Energy	24.0	23.7
Financial Services	30.6	26.4
	100.0	100.0



U.S. Equities, by Sector

	Indexed (%)	Actively Managed (%)
Materials	3.0	2.7
Telecommunication Services	4.3	3.4
Utilities	4.6	2.7
Consumer Discretionary	8.7	11.1
Industrials	11.2	10.3
Energy	11.2	11.0
Consumer Staples	13.0	10.5
Information Technology	14.4	17.2
Financial Services	14.8	14.3
Health Care	14.8	16.8
	100.0	100.0

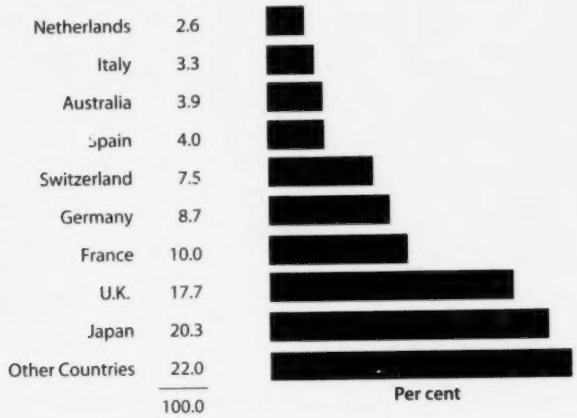
Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite).

Actively Managed: A portfolio of securities that is designed to outperform a public market index.

Investments

Investments Held as at December 31, 2008

International Equities, by Country (%)



Investments

Investment performance

Market Value Rates of Return for the Year Ended December 31, 2008

	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks* (%)	
Annual Rates				
2008	**(12.8)**	**(12.9)**	**(9.9)**	
2007	4.0	4.0	2.0	
2006	16.2	16.3	13.3	
2005	12.9	13.3	11.6	
2004	10.4	10.8	10.5	
Five-year Annualized Rates**				
2008	**5.6**	**5.8**	**5.1**	
2007	11.2	11.7	10.3	
Ten-year Annualized Rates				
2008	**5.5**	**6.1**	**5.1**	
2007	7.7	8.2	7.2	
2008 Annual Rates by Investment Category				**Basic Account Performance Benchmarks***
Short-term				
Money Market	4.1	4.1	3.3	DEX 91 Day T-Bill
Bonds	9.6	9.6	10.2	DEX Short-term Government Bond
Bonds				
Universe	5.6	5.6	6.4	DEX Universe Bond
Real Return	1.6	0.8	0.4	DEX Real Return Bond
Canadian Equities				
Actively Managed	(32.7)	(32.7)	(33.9)	Active Canadian Benchmark
Indexed	(33.4)	(33.4)	(33.9)	S&P/TSX Equity
Enhanced	(32.9)	(32.9)	(33.9)	S&P/TSX Equity
Strategic Infrastructure	(40.7)	(40.7)	8.0	Nominal 8%
U.S. Equities				
Actively Managed	(24.4)	(24.4)	(22.7)	R 1000
Indexed	(21.9)	(21.9)	(21.9)	S&P 500
Social Indexed	(19.3)	(19.3)	(19.4)	Domini 400 social index
Value	(24.6)	(24.6)	(24.7)	S&P Citigroup value
Enhanced	(23.2)	(23.2)	(21.9)	R1000/S&P 500
International Equities				
Asia	(29.4)	(29.4)	(27.3)	MSCI Pacific Net
Europe	(34.2)	(34.3)	(33.0)	MSCI Europe Net
Europe, Australia and Far East	(32.0)	(31.9)	(29.2)	MSCI Europe, Australasia, Far East Net
Real Estate	(0.2)	(0.2)	5.2	CPI + 4%
Mortgages				
Fixed-term	6.3	6.3	9.6	DEX Short-term Bond + 1%
Construction	6.5	6.5	6.8	DEX One-year T-Bill + 1%
Specialty	10.8	10.8	8.4	DEX One-year T-Bill + 2.5%

* Benchmarks are standards to compare against actual investment returns.

** The five-year annualized rate of the Basic Account is the net earned rate of the fund. An annualized rate means the rate for a five or ten-year period converted into the equivalent annual rate.

Performance Benchmark Indices Abbreviations

CPI = Consumer Price Index
DEX = Derivative TSX
MSCI = Morgan Stanley Capital International
R = Russell
SCI = Scotia Capital Inc.
S&P = Standard & Poor's
S&P/TSX = Standard & Poor's/Toronto Stock Exchange

(Source of annual rates: British Columbia Investment Management Corporation)

Marko Guizzo

Teacher, Colquitz Middle School

I'm confident my Teachers' pension will provide security for me and my family when I retire from the classroom.

Audit committee

Membership on the committee includes two nominees from each of the boards of the College, Municipal, Public Service, and Teachers' pension plans. All nominees must be ratified by all the boards. The committee must include at least two trustees who understand generally accepted accounting principles (GAAP), internal controls, and audit committee functions. The committee must meet at least three times a year. In addition to its role of financial oversight through monitoring and reporting, the committee also evaluates its own performance annually through an established procedure.

The mandate of the Audit Committee is to act on behalf of, and to assist the board, to provide for:

- a timely and cost-effective system of accounting and reporting
- financial statements conforming with generally accepted accounting principles
- an independent audit of the financial statements
- an annual report with audited financial statements

The committee will accomplish its mandate to provide financial oversight by:

- monitoring and reporting to the boards on the integrity of reporting, internal controls, and compliance
- monitoring and reporting on the independence and performance of the external auditors
- monitoring and reporting on risk management as it affects financial reporting
- recommending the selection and compensation of external auditors
- addressing any matter referred to the committee by one or more of the four boards

Financial health

The Teachers' Pension Plan is financially sound. The fund holds a diversified portfolio of debt and equity investments that offer consistent and steady performance over the long term.

Every three years an independent actuary assesses the financial health of the plan and the adequacy of the contribution rates for funding the plan. At the most recent actuarial valuation as at December 31, 2005, the Basic Account had an unfunded liability for basic pension benefits of $904 million. The funded portion of the liability is more than 94 per cent of total liabilities for basic pension benefits. An unfunded liability means that there is a shortfall between benefits promised and assets available to pay for basic benefits, whereas a surplus means there are more than enough funds to meet these benefits.

On the recommendation of the actuary, the board determined that an increase in contribution rates was necessary for the pension plan to maintain the pension promise. Consequently, plan member and employer contributions each increased by 1.61 per cent of salaries on July 1, 2007, to pay down this unfunded liability over the ensuing 15 year period. (See the "Contributions" section on page 13 for contribution rate information.)

The next valuation will be as at December 31, 2008, with the results available for the 2009 Annual Report.

Actuarial Valuation History as at December 31

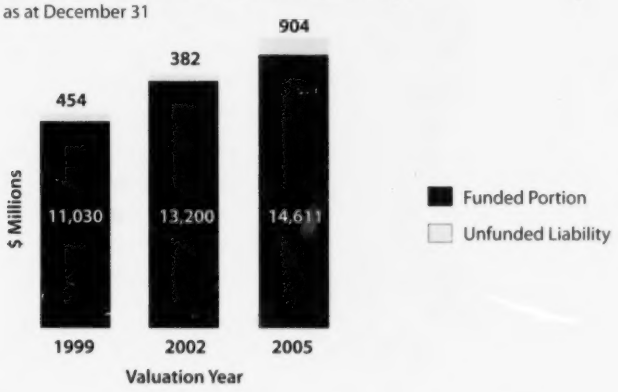
$ Millions

	Basic Pension Benefits Unfunded Liability		
	2005	2002	1999
For Funding Purposes*	$904.1	$381.8	$454.4
Ratio of Unfunded Liability to Covered Payroll*	38%	17%	21%
For Accounting Purposes to December 31	$1,238.1	$551.8	$494.0

* Assuming contributions continue at rates in effect at the valuation date.

Funding of the Total Basic Benefit Liability

as at December 31



Five year financial summary

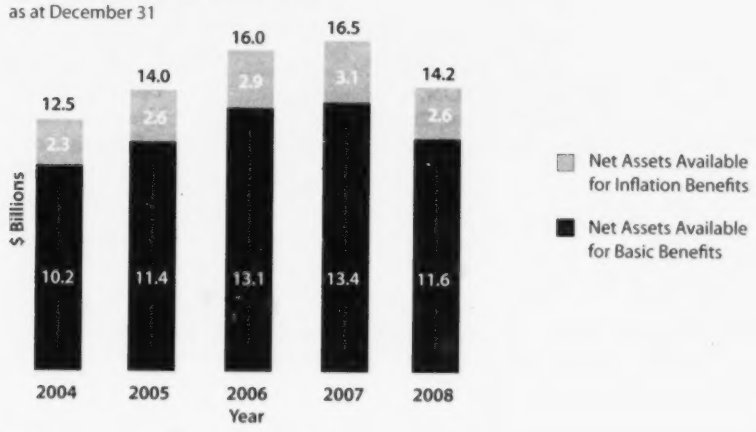
$ Thousands

For the year ended December 31	2008	2007	2006	2005	2004
Increase in Assets					
Total Investment Income (Loss)	$ (2,068,323)	$ 661,737	$ 2,262,231	$ 1,632,275	$ 1,200,821
Contributions					
Members	243,534	228,112	200,156	179,258	183,215
Employers	324,440	306,868	294,358	245,969	252,659
Transfers from Other Plans	12,011	24,737	30,833	23,281	27,300
Total Increase (Decrease) in Assets	(1,488,338)	1,221,454	2,787,578	2,080,783	1,663,995
Decrease in Assets					
Pension Benefits	747,317	689,224	639,031	576,834	529,672
Termination Benefits	15,839	20,241	24,443	15,282	16,633
Transfers to Other Plans	8,358	11,916	9,141	10,023	15,325
Retired Member Group Benefits	12,007	20,329	15,680	13,361	12,019
Investment and Administration Costs*	27,646	33,696	25,640	22,803	20,073
Total Decrease in Assets	811,167	775,406	713,935	638,303	593,722
Increase (Decrease) in Net Assets	(2,299,505)	446,048	2,073,643	1,442,480	1,070,273
Net Assets Available for Benefits at Beginning of Year	16,480,248	16,034,200	13,960,557	12,518,077	11,447,804
Net Assets Available for Benefits at End of Year	$ 14,180,743	$ 16,480,248	$ 16,034,200	$ 13,960,557	$12,518,077
Investment and Administration Costs*					
			As a Percentage of Net Assets		
Investment Management*	0.20%	0.26%	0.20%	0.17%	0.15%
Benefit Administration	0.06%	0.05%	0.05%	0.06%	0.05%

* External investment management costs incurred in the investment pooled funds by wholly owned corporations of $9.1 million (2007—$16.0 million; 2006—$13.8 million; 2005—$8.4 million; 2004—$5.5 million) are not included in investment and administration costs, but are included in investment management costs as a percentage of net assets. These costs have been restated for comparative purposes.

Net Assets Available for Benefits

as at December 31



Financial statements

PENSION CORPORATION

Executive Offices

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Victoria BC
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TEACHERS' PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Teachers' Pension Plan (Plan) were prepared by the British Columbia Pension Corporation (Corporation), the administrative agent for the Teachers' Pension Board of Trustees (Board) of the Plan. The Board is responsible for having annual financial statements prepared in accordance with Canadian generally accepted accounting principles. The Corporation prepares the financial statements on the Board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Teachers' Pension Plan Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Ltd. has been appointed the independent consulting actuary to the Plan by the Board. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of PricewaterhouseCoopers LLP has been appointed the independent auditor to the Plan by the Board. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

BRIAN PEARSON, CGA
Assistant Director, Plan Finance
British Columbia Pension Corporation

BRUCE NICOL, CA
Director, Pension Plan and Corporate Financial Services
British Columbia Pension Corporation

May 14, 2009

PRICEWATERHOUSECOOPERS

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May 14, 2009

Auditors' Report

To the Members of the
Teachers' Pension Plan

We have audited the statement of net assets available for benefits of the **Teachers' Pension Plan** as at December 31, 2008 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the board of trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2008 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

Financial statements

Teachers' Pension Plan

TEACHERS' PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

As at December 31	2008	2007
ASSETS		
Investments (Note 3)	$14,088,679	$16,480,915
Receivables		
Members' contributions	13,967	14,252
Employers' contributions	18,742	19,440
Accrued investment income	1,939	1,704
Due from sale of investments	68,172	1,999
	102,820	37,395
Prepaid expenses	1,261	1,297
Cash	2,673	2,054
Total Assets	$14,195,433	$16,521,661
LIABILITIES		
Payable for purchase of investments	2	36,519
Accounts payable and accrued expenses	14,688	4,894
Total Liabilities	14,690	41,413
NET ASSETS AVAILABLE FOR BENEFITS	$14,180,743	$16,480,248

All accompanying notes are an integral part of these financial statements including:

- Actuarial Valuation of the Basic Account for Funding Purposes (Note 7)
- Actuarial Valuation of the Basic Account for Accounting Purposes (Note 8)
- Commitments (Note 11)

Gerry Tiede
Chair, Teachers' Pension Board of Trustees

Joan Axford
Trustee,
Teachers' Pension Board of Trustees

Linda Watson
Trustee,
Teachers' Pension Board of Trustees

Teachers' Pension Plan

TEACHERS' PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended December 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2008	Totals 2007
INCREASE (DECREASE) IN ASSETS					
Investment income (loss) (Note 4)	$ (1,694,109)	$ (374,214)	$ -	$ (2,068,323)	$ 661,737
Contributions (Note 5)					
Members'	192,769	50,749	16	243,534	228,112
Employers'	295,432	16,260	12,748	324,440	306,868
	488,201	67,009	12,764	567,974	534,980
Transfers from other plans	9,258	2,753	-	12,011	24,737
Total Increase (Decrease) in Assets	(1,196,650)	(304,452)	12,764	(1,488,338)	1,221,454
DECREASE IN ASSETS					
Pension benefits	623,142	-	171	623,313	576,929
Indexing supplements	123,985	-	19	124,004	112,295
	747,127	-	190	747,317	689,224
Termination and refund benefits	10,346	5,493	-	15,839	20,241
Transfers to other plans	6,430	1,928	-	8,358	11,916
Retired member group benefits (Note 10)	-	-	12,007	12,007	20,329
Investment and Administration costs (Note 9)	23,584	3,495	567	27,646	33,696
Total Decrease in Assets	787,487	10,916	12,764	811,167	775,406
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	(1,984,137)	(315,368)	-	(2,299,505)	446,048
Account transfers (Note 6)	166,335	(166,335)	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(1,817,802)	(481,703)	-	(2,299,505)	446,048
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	13,433,614	3,046,634	-	16,480,248	16,034,200
NET ASSETS AVAILABLE FOR BENEFITS AT END OF F YEAR	$ 11,615,812	$ 2,564,931	$ -	$ 14,180,743	$ 16,480,248

Supplemental Benefits Account (Note 10)

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN

The Teachers' Pension Plan (Plan) is a jointly trusteed pension plan governed by a Joint Trust Agreement (Agreement). Joint trusteeship was established on April 5, 2001. The partners to the Agreement are the provincial government of British Columbia and the B.C. Teachers' Federation (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the Teachers' Pension Board of Trustees (Board) and provides the authority for the Board to make Plan rules. The following brief description of the Plan is provided for general information only. For more information please refer to the Agreement and the Plan rules.

a) General

The Plan is open to all certified teachers (including teachers-on-call), principals and vice-principals, superintendents, assistant superintendents, associated professionals and certified professionals who are appointed by a board of school trustees in the British Columbia public school system.

b) Roles and Responsibilities

The Board of Trustees
The Partners are responsible for directing amendments to the Plan, if certain conditions are met, and for resolving trustee disputes. The Board consists of up to eleven members. The Partners appoint ten trustees representing Plan members and Plan employers. The Chair and the Vice Chair are appointed by the other trustees. The Board is fully responsible for the management of the Plan, including investment of the assets and administration of the Plan. The Board may amend the Plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the Plan (subject to transitional funding provisions in Note 7). Unless required to ensure compliance with regulatory enactments applicable to the Plan, Plan rule changes that result in contribution rate changes can only be initiated by the Partners.

British Columbia Pension Corporation (Pension Corporation)
The Pension Corporation provides benefit administration services as an agent of the Board.

British Columbia Investment Management Corporation (bcIMC)
bcIMC provides investment management services as an agent of the Board.

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN (continued)

c) Contributions

Basic Account
Members contributed to the Basic Account 7.16% (5.55% up to June 30, 2007) of salaries up to and including the Canada Pension Plan's Maximum Pensionable Earnings (YMPE) ($44,900 in 2008) and 8.66% (7.05% up to June 30, 2007) of salaries over the YMPE, less amounts allocated to the Supplemental Benefits Account (Notes 5, 7 and 10).

Employers contributed to the Basic Account 11.16% (9.55% up to June 30, 2007) of salaries up to and including the YMPE and 12.66% (11.05% up to June 30, 2007) of salaries over the YMPE, less amounts allocated to the Supplemental Benefits Account (Notes 5, 7 and 10).

Inflation Adjustment Account
Members contributed 2% of salaries to the Inflation Adjustment Account. Employers contributed 1.13% of salaries to the Inflation Adjustment Account, less amounts allocated to the Supplemental Benefits Account (Notes 5 and 10).

d) Pension Benefits

All members with two years of contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with age plus years of service totaling 90 or more.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.3% of pensionable earnings up to the YMPE and 2% of pensionable earnings over the YMPE for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's five-year highest average salary (HAS).

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN (continued)

d) Pension Benefits (continued)

The Plan also provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.7% of the lesser of YMPE or HAS.

Increases to pension payments are not guaranteed but may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Canada Consumer Price Index (CPI) as at the previous September 30, subject to availability of funds in the Inflation Adjustment Account (Notes 6 and 7b).

At January 1, 2008, retired members received a full CPI increase of 2.5% (2007: 0.7%). At January 1, 2009, retired members will receive a full CPI increase of 3.4%.

e) Termination and Portability Benefits

A terminating member who is eligible for a pension, but has not reached the earliest retirement age, may choose:

- a deferred pension; or,
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements, or if under 60 with less than two years of contributory service, may choose a refund of contributions with interest.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN (continued)

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

g) Income Taxes

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act (Canada)* except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The Plan is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the Plan as a separate financial reporting entity, independent of the Plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the Board. It does not purport to show whether these assets are adequate to meet the obligations of the Plan. The actuarial valuation of the basic account for funding purposes is included in Note 7.

Certain comparative figures have been reclassified to conform with the current year's presentation.

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Fair values for 67% of these assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The fair value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder and income from directly held investments. The current period change in fair value includes realized and unrealized gains and losses which are included in investment income.

Within the pools, dividends are accrued on the ex-dividend date. Income received and paid from derivative contracts is recognized on the accrual basis. Gains and losses on derivative contracts are recognized concurrently with changes in their fair values.

The investment pools are denominated in Canadian dollars with foreign denominated balances and transactions within pools translated into Canadian dollars at the relevant foreign exchange rate.

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial position of the Basic Account. Actual results could differ from those estimates.

e) Change in Accounting Policy

On January 1, 2008 the Plan adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation. The new disclosure standards replace Section 3861, Financial Instruments – Disclosure and Presentation. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the Plan manages these risks. These standards impacted the disclosures the Plan provides, Note 12, but did not affect the Plan's results of operations or financial position.

On January 1, 2008, the Plan adopted CICA Handbook Section 1535, Capital Disclosures, Note 13, which requires an entity to disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacted the disclosures the Plan provides but did not affect the Plan's results of operations or financial position.

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recent Accounting Pronouncements

In the first quarter of 2009, the Canadian Accounting Standards Board (AcSB) proposed that while the use of International Financial Reporting Standards (IFRS) will be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011, that the primary standard applicable to pension plans will continue to be the Canadian Institute of Chartered Accountants (CICA) Handbook Section 4100 – Pension Plans instead of International Accounting Standards 26 - Accounting and Reporting by Retirement Benefit Plans. The AcSB will consider whether any changes to Section 4100 are required. The Plan is currently assessing the impact of IFRS on the financial statements and related notes.

3. INVESTMENTS (FAIR VALUE)

	2008			2007
	Basic Account	Inflation Adjustment Account	Total	Total
	($ Thousands)			
Short-term	$ 321,011	$ 75,698	$ 396,709	$ 537,749
Canadian Bonds (Note 11)	3,060,794	677,603	3,738,397	3,445,307
Canadian Equities	1,514,745	333,071	1,847,816	2,666,742
U.S. Equities	1,607,678	353,329	1,961,007	2,475,949
International Equities	1,467,591	323,755	1,791,346	3,103,163
Foreign Currency	-	-	-	27,793
Mortgages	673,307	148,540	821,847	787,852
Real Estate	2,075,216	446,727	2,521,943	2,496,788
Private Placements	821,771	187,843	1,009,614	939,572
	$ 11,542,113	$ 2,546,566	$ 14,088,679	$ 16,480,915

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

3. INVESTMENTS (FAIR VALUE) (continued)

Plan investments consist primarily of direct ownership in units of pooled investment portfolios managed by bcIMC. Each unit gives the holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities. While the purpose of each fund is to invest in a particular type of investment, at any time, given the timing of trading activities, the fund may hold a certain amount of cash or short-term investments The Plan directly holds Canadian real return bonds of $718.4 million (2007: $639.2 million) and a private placement investment of $15.0 million (2007: $12.6 million).

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with maturities of 15 months or less and short-term bonds with one to five year terms. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and, in the case of international equities, refer to investments in the markets of Europe and Asia, as well as key emerging markets. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of foreign currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements consist mainly of Canadian and international long-term debt or equity investments made outside of the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. Real estate is valued quarterly by bcIMC's external real estate investment managers and, at least once every 10 to 18 months, by accredited independent appraisers to establish current market values. Private placements are valued annually based on financial statements from private placement external managers.

Derivative contracts are held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk, and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or exchange rates.

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

4. INVESTMENT INCOME

	2008			2007
	Income Allocation	Current Period Change In Fair Value	Total	Total
		($ Thousands)		
Basic Account				
Short-term	$ 10,116	$ 8,459	$ 18,575	$ 22,918
Canadian Bonds	137,293	(1,454)	135,839	90,324
Canadian Equities	39,065	(712,900)	(673,835)	212,782
U.S. Equities	64,064	(566,668)	(502,604)	(68,364)
International Equities	71,138	(766,257)	(695,119)	(112,411)
Foreign Currency	563	(1,086)	(523)	(1,366)
Mortgages	36,037	8,973	45,010	28,168
Real Estate	86,735	(85,382)	1,353	319,468
Private Placements	44,606	(67,411)	(22,805)	51,275
	$ 489,617	$ (2,183,726)	$ (1,694,109)	$ 542,794
Inflation Adjustment Account				
Short-term	$ 3,667	$ 2,136	$ 5,803	$ 6,176
Canadian Bonds	30,840	(118)	30,722	19,352
Canadian Equities	9,672	(156,709)	(147,037)	46,427
U.S. Equities	14,214	(123,924)	(109,710)	(15,950)
International Equities	15,574	(166,745)	(151,171)	(24,363)
Foreign Currency	153	(248)	(95)	(312)
Mortgages	8,299	1,960	10,259	6,199
Real Estate	18,696	(18,348)	348	69,919
Private Placements	12,077	(25,410)	(13,333)	11,495
	$ 113,192	$ (487,406)	$ (374,214)	$ 118,943
Total Investment Income (Loss)	$ 602,809	$ (2,671,132)	$ (2,068,323)	$ 661,737

Investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bcIMC, and income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

5. CONTRIBUTIONS

	2008				2007
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
			($ Thousands)		
Members' contributions					
Regular	$ 190,789	$ 50,221	$ 16	$ 241,026	$ 210,804
Arrears	57	13	-	70	355
Purchase of service	3	1	-	4	544
Leave of absence	1,840	509	-	2,349	12,131
Reinstatement	80	5	-	85	4,278
	$ 192,769	$ 50,749	$ 16	$ 243,534	$ 228,112
Employers' contributions					
Regular	$ 292,493	$ 15,962	$ 741	$ 309,196	$ 267,959
Arrears	73	8	-	81	640
Purchase of service	5	1	-	6	769
Leave of absence	2,861	289	-	3,150	17,171
Supplemental benefits	-	-	12,007	12,007	20,329
	$ 295,432	$ 16,260	$ 12,748	$ 324,440	$ 306,868
Total Contributions	$ 488,201	$ 67,009	$ 12,764	$ 567,974	$ 534,980

Member and employer contributions are as defined under the Plan rules.

6. ACCOUNT TRANSFERS

	2008		2007	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
		($ Thousands)		
Present value of current indexing supplements	$ 163,515	$ (163,515)	$ 42,380	$ (42,380)
Indexing of deferred pensions	2,820	(2,820)	2,522	(2,522)
	$ 166,335	$ (166,335)	$ 44,902	$ (44,902)

The Inflation Adjustment Account (IAA) is a separate account that is maintained for funding current and future indexing supplements. The IAA is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

6. ACCOUNT TRANSFERS (continued)

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the IAA to the Basic Account.

There have been no excess interest transfers to the IAA for the years ended December 31, 2002 through 2008. Excess interest is based on investment income earned on those Basic Account assets required for pensions currently being paid, approximately $7.3 billion of assets for 2008 (2007: $6.7 billion). The excess interest rate of return is determined by taking the difference between the actual five-year annualized market rate of return (5.60%) and the rate of return used by the actuary (6.85%) in valuing the Plan's liabilities. The calculated excess interest rate of return for 2008 was -1.25% (2007: 4.35%) resulting in a negative excess interest amount of $91.7 million (2007: $293.5 million positive excess interest). The cumulative negative excess interest amount of $256.2 million will be offset against future positive excess interest amounts before positive excess interest transfers will resume.

Excess Interest	2008	2007
	($ Millions)	
Cumulative negative excess interest, beginning of year	$ (155.8)	$ (404.1)
Interest applied to beginning of year amount	(8.7)	(45.2)
(Negative excess interest)/Excess interest	(91.7)	293.5
Cumulative negative excess interest, end of year	$ (256.2)	$ (155.8)

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and accrued benefit obligations to the financial statement date, and contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry-age method. This method produces the level rate of the member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

a) Basic Account (continued)

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is paid. Future indexing benefits are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the present value funding necessary for the indexing granted. Therefore, accrued basic pension benefits for valuation purposes include the liability for all indexing granted to the date of the valuation, but not for as yet unknown future indexing.

The latest full actuarial valuation for funding purposes was prepared as at December 31, 2005 by Eckler Ltd.
The results were as follows:

As at December 31	2005	2002
	($ Millions)	
Net assets available for basic pension benefits	$ 11,340	$ 8,275
Five year market value smoothing adjustment	(890)	1,071
Smoothed assets for basic pension benefits	10,450	9,346
Value of future contributions at current rate	4,161	3,854
Net actuarial assets for basic pension benefits	14,611	13,200
Liability for accrued basic pension benefits	(15,515)	(13,582)
Unfunded Actuarial Liability	$ (904)	$ (382)

The following long-term actuarial assumptions were used:

- annual investment return — 6.85% (2002: 7.25%)
- annual salary escalation rate — 4.10% (2002: 4.75%)

The next full actuarial valuation will be at December 31, 2008 for inclusion in the December 31, 2009 financial statements.

Based on the 2005 actuarial valuation, the actuary determined that an increase in contribution rates was necessary for the Plan to maintain its proper funding. Effective July 1, 2007 member and employer basic contributions rates each increased by 1.61% of salaries, as recommended by the actuary.

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

a) Basic Account (continued)

The Joint Trust Agreement (Agreement) specifies a transitional period during which the rebalancing of member and employer contribution rates and specified benefit improvements will be achieved. During this transitional period, if an actuarial valuation indicates that increased basic account contribution rates are required to fully fund the Plan on a going-concern basis, the increase is shared equally by members and employers.

Also during this transitional period, if surplus assets or actuarial gains occur, they will be used to achieve the following objectives in order of priority:

- Eliminating any unfunded liability
- Rebalancing member and employer contribution rates
- Providing specified benefit improvements

After the transitional objectives have been achieved, if an actuarial valuation indicates that increased basic contribution rates are required, the increase must be shared equally by members and employers. The Agreement also describes the manner in which the Board can elect to apply surplus assets.

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members, full funding for that granted indexing, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential indexing.

The Board monitors the performance of the IAA and, at least annually, reviews a sensitivity analysis of the projected impact on the IAA of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefits costs. This sensitivity analysis assists the Board to identify scenarios, some years in advance of their possible occurrence, when the IAA assets may cease to grow and when the Plan may not be able to grant full indexing of benefits. As long as there are contributions to the IAA, there will be some measure of indexing protection for retired members.

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8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7a. As part of the actuarial valuation, the actuary also calculates values, for accounting purposes, of the Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes as described in Note 7a.

The latest full valuation for accounting purposes was made as at December 31, 2005, by Eckler Ltd. This valuation disclosed an unfunded actuarial liability of $1,238 million (2002: $552 million).

The next full actuarial valuation will be at December 31, 2008 for inclusion in the December 31, 2009 financial statements.

The liability for accrued basic pension benefits at the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, an estimate of the actuarial position between valuations is required. This estimate, called an extrapolation, has been made to December 31, 2008, using the following long-term actuarial assumptions:

- annual investment return 6.85%
- annual salary escalation rate 4.10%

On this basis, the extrapolated value of the unfunded actuarial liability at December 31 is as follows:

	2008	2007
	($ Millions)	
Extrapolated Actuarial Liability for Accrued Basic Pension Benefits		
Extrapolated actuarial liability, beginning of year	$ 12,932	$ 12,376
Account transfers	166	45
Current period benefit costs	366	390
Benefits	(772)	(718)
Interest accrued on liability	884	839
Extrapolated actuarial liability, end of year	$ 13,576	$ 12,932
Extrapolated Actuarial Assets Available for Basic Pension Benefits		
Fair value of Basic Account net assets available for benefits	11,616	13,434
Fair value changes not reflected in extrapolated assets	733	(1,778)
Extrapolated actuarial assets, end of year	$ 12,349	$ 11,656
Extrapolated unfunded actuarial liability, December 31	$ (1,227)	$ (1,276)

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

Extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

9. INVESTMENT AND ADMINISTRATION COSTS

	2008	2007
	($ Thousands)	
Investment Management	$ 19,478	$ 26,047
Benefit Administration	7,422	6,994
Board Remuneration and Expenses	223	208
Board Secretariat Costs	218	209
Other Professional Services	305	238
	$ 27,646	$ 33,696

bcIMC and the Pension Corporation are related parties to the Plan. The Board appoints members to each of the respective corporate boards.

Costs for investment management services charged by bcIMC include costs for recovery of its internal and external investment management fees except those external management fees related to corporations wholly owned by the investment pooled funds.

Investment management costs of $9.1 million (2007: $16.0 million) representing the external management costs incurred by wholly owned corporations of the investment pooled funds are not included in the above amount.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by the Pension Corporation. These costs are approved by the Board. Included in accounts payable is $640 thousand (2007: $806 thousand) due to the Pension Corporation for those costs.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board secretariat costs represent amounts for staffing and other costs associated with Board support.

Other professional service costs include actuarial, insurance, audit and legal fees.

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FOR THE YEAR ENDED DECEMBER 31, 2008

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act (Canada)* limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through this account. The availability, type and level of retired member group benefit coverage are contingent upon the availability of funding for such benefits.

To the extent that group benefits are funded from the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer inflation contributions and cannot exceed 0.8% of pensionable salaries. Currently the 0.8% maximum represents approximately 71% of contributions that would otherwise be employer inflation contributions. Retired member group benefit costs (shown on the Statement of Changes in Net Assets Available for Benefits) represent group benefit costs paid by the Plan, less any premiums paid by retired members.

11. COMMITMENTS

The Plan participates in private placement and international real estate pools that are managed by bcIMC. As at December 31, 2008, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately $673.0 million (2007: $776.9 million).

bcIMC has established collateral accounts for the Plan that are pledged as security for future investment opportunities. As at December 31, 2008, $23.8 million (2007: $24.3 million) of Basic Account Canadian Bonds are being held as collateral for an investment commitment of $9.1 million and other assured investment activity.

12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. The fair values of these financial instruments approximate their carrying values.

The Board approves the long-term asset mix policy for investment assets through its Statement of Investment Policies and Procedures (SIPP) and oversees the management of these assets through the Board's investment management agent, bcIMC. The SIPP requires diversification of investments within asset classes, sets guidelines on investment categories and limits the exposure to individual investments and counterparties.

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
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12. FINANCIAL INSTRUMENTS (continued)

Significant risks are regularly monitored by bcIMC and actions are taken when appropriate, according to the Plan's SIPP. In addition, these risks are reviewed with the Board.

Market Risk

Market risk is the risk that the fair values of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the Market. Market risk is comprised of foreign currency risk, interest rate risk, and price risk. Market risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on investments.

a) Foreign Currency Risk

Foreign currency exposure arises from foreign currency denominated investments held indirectly through pooled investment portfolios. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. bcIMC has currency exposure management programs under which it hedges foreign currency exposure through the use of foreign currency forward contracts. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. The Plan's total currency exposure, the impact of hedging and trading activities and its net exposure as at December 31 are as follows:

	2008 Fair Value By Currency				2007 Fair Value By Currency			
(Millions Cdn dollar equivalent)	Total Exposure	Hedging	Net Exposure	% of Total	Total Exposure	Hedging	Net Exposure	% of Total
Canada	$ 9,682	$ -	$ 9,682	70%	$ 10,787	$ -	$ 10,787	70%
United States	2,644	103	2,541	18%	2,578	674	1,904	12%
Euro Countries	773	1	772	6%	1,306	(1)	1,307	8%
Japan	322	1	321	2%	463	-	463	3%
Other Pacific	287	-	287	2%	517	(2)	519	3%
Other Europe	195	-	195	2%	219	64	155	1%
United Kingdom	254	207	47	0%	576	193	383	3%
Emerging markets	2	-	2	0%	2	-	2	0%
	$ 14,159	$ 312	$ 13,847	100%	$ 16,448	$ 928	$ 15,520	100%

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

12. FINANCIAL INSTRUMENTS (continued)

a) Foreign Currency Risk (continued)

Included in this table, as at December 31, 2008, are net accounts receivable (2007: net accounts payable) for outstanding sales and purchases of investments and accrued investment income.

As at December 31, 2008, if the Canadian dollar strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, net assets would have decreased or increased by approximately $416.6 million (2007: $473.0 million).

b) Interest Rate Risk

Interest rate risk is the risk that the Plan's investments will change in fair value due to future fluctuations in market interest rates. The risk arises primarily on interest-bearing financial instruments held in short-term investments, fixed income investment pools (bonds and mortgages) and Canadian real return bonds held directly by the Plan. Actuarial liabilities are also affected by changes in long-term market interest rates. The risk of adverse changes in interest rates is reduced within the underlying investment pools through management of duration in exposure to fixed income securities, the use of floating rate notes and general diversification by security type and geographic region.

The terms to contractual maturity of interest-bearing financial instruments (including accrued interest receivable), as at December 31, are as follows:

	Terms to maturity				2008		2007	
Interest-bearing financial instruments *($ Millions)*	Within 1 Year	1 to 5 Years	>5 to 10 Years	Over 10 Years	Total	Effective Yield to Maturity	Total	Effective Yield to Maturity
Short-term	$ 349	$ 48	$ -	$ -	$ 397	1.29%	$ 538	4.27%
Bonds	89	1,181	740	1,010	3,020	4.09%	2,806	4.45%
Real return Bonds	-	8	-	712	720	2.30%	641	1.95%
Mortgages	242	322	248	10	822	4.57%	788	4.43%
	$ 680	$ 1,559	$ 988	$ 1,732	$ 4,959	3.69%	$ 4,773	4.09%

As at December 31, 2008, if the prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, net assets would have decreased or increased by approximately $215.8 million (2007: $333.1 million).

TEACHERS' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

12. FINANCIAL INSTRUMENTS (continued)

c) Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. The Plan's investments are subject to price risk through its equity investments and private market investments. bcIMC moderates this risk by diversifying its investments across asset classes based on criteria established in the SIPP. As at December 31, 2008, if equity prices (excluding private market investments and the non-equity balances in the Canadian, US and International equity funds) increased or decreased by 10% with all other factors remaining constant, net assets would have increased or decreased by approximately $550.5 million (2007: $813.6 million).

Credit Risk

Credit risk is the risk that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations. Credit risk is managed by establishing specific investment criteria, such as minimum credit ratings for investees and counterparties and maximum concentration limits with given counterparties.

	2008		2007	
Credit Rating*	($ Millions)		($ Millions)	
AAA/AA	$ 1,253	34%	$ 3,167	84%
A	2,426	65%	589	15%
BBB	46	1%	20	1%
	$ 3,725	100%	$ 3,776	100%

* Standard & Poor's

The ratings used are defined by the Standard & Poor's rating agency. Obligations rated AAA/AA have the highest rating assigned. The lenders capacity to meet its financial commitment on the obligation is very strong. Bonds assigned an A or BBB rating are weaker with the BBB rating denoting an obligation with adequate protection parameters.

Credit exposure also exists for investments in mortgages of $821.8 million (2007: $787.9 million), short-term investments of $339.1 million (2007: $151.6 million) and $72.5 million (2007: $56.9 million) of other assets held in the bond fund. Total exposure in the short-term investments, bond and mortgage funds is $4,958.9 million (2007: $4,772.6 million).

TEACHERS' PENSION PLAN
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12. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk of not being able to meet the Plan's cash requirements in a timely and cost effective manner. The Plan forecasts its cash requirements over the near and long term to determine whether sufficient funds are available. The Plan's primary source of liquidity is income generated from the Plan's investments and employer and employee contributions. bcIMC primarily invests in securities that are traded in active markets and can be readily sold.

13. CAPITAL DISCLOSURES

The Plan's capital is comprised of its net assets available for benefits. The Plan's objective for managing capital, including member and employer contributions, is to ensure that the assets of the Plan are invested prudently and effectively to meet the future obligations of the Plan. The Statement of Net Assets Available for Benefits shows the assets under control of the Board. The actuarial valuation of the basic account for funding purposes is included in Note 7.

The Plan is established through the *B. C. Public Sector Pension Plans Act* and a Joint Trust Agreement made effective April 5, 2001. The Joint Trust Agreement describes the composition, appointment, power, functions and duties of the Board of Trustees, and provides the authority for the Board to make Plan rules. The Board of Trustees is responsible for the governance of the Plan, including investment of the assets and administration of the Plan. The Plan is registered under the *B.C. Pension Benefits Standards Act,* and is a registered pension plan as that term is defined in the *Income Tax Act.* Investment management services for the Plan are provided, as agent, by bcIMC. Investments are based on an asset mix consistent with the Board approved SIPP. The investment performance of the Plan assets is reviewed by the Board on a quarterly basis compared to relevant industry benchmarks. An actuarial valuation, which is used to determine the adequacy of employer and employee funding contribution rates must be prepared at least once every three years.

Teachers' Pension Board of Trustees

Mission Statement

"To fulfill the trust the Partners have placed on us by efficiently meeting or exceeding the pension promise made to plan members."

This is a publication of the Teachers' Pension Board of Trustees.
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